
State of Wisconsin
Additional/Voluntary Filing #2019-19
Dated July 15, 2019

This Additional/Voluntary Filing does not concern an event described in Securities and Exchange Act Rule 15c2-12, as amended. The State of Wisconsin provides this information as it may be material to financial evaluation of one or more obligations of the State of Wisconsin.

Issuer: State of Wisconsin

CUSIP Numbers: 977055 Prefix (All) 977056 Prefix (All)
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977109 Prefix (All) 977123 Prefix (All)

Type of Information: Additional/Voluntary Disclosure
Other Event-Based Disclosures; Rating Outlook Change

Kroll Bond Rating Agency has affirmed the long-term rating of AA+ and revised the outlook on the State's general obligation bonds from "stable" to "positive". Attached is a **report issued by Kroll Bond Rating Agency**.

The State of Wisconsin is providing this Additional/Voluntary Filing with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system. This Additional/Voluntary Filing is also available on the State of Wisconsin Capital Finance Office web site at:

www.doa.state.wi.us/capitalfinance

The undersigned represents that he is the Capital Finance Director, State of Wisconsin Capital Finance Office, which is the office of the State of Wisconsin responsible for providing additional/voluntary filings, annual reports, and Event Filings pursuant to the State's Master Agreement on Continuing Disclosure (Amended and Restated March 1, 2019), and is authorized to distribute this information publicly

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State of Wisconsin

Issuer: State of Wisconsin

Assigned	Rating(s)	Outlook
General Obligation Bonds of 2019, Series A	AA+	Positive (revised from Stable)
Affirmed	Rating(s)	Outlook
General Obligation Bonds	AA+	Positive (revised from Stable)
Master Lease Certificates of Participation (COPs)	AA	Positive (revised from Stable)
GO Commercial Paper (CP) Program	K1+	n/a
GO Extendible Municipal CP (EMCP) Program	K1+	n/a

For mapping of the long-term rating to the short-term rating, please refer to the [short-term KBRA Rating Scale](#).

Methodology:

[U.S. State General Obligation Rating Methodology](#)
[U.S. State Annual Appropriation Obligation Rating Methodology](#)

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Rating Summary: Strong financial operations, a broad and stable economic base, and manageable long-term liabilities underscore the state’s strong credit profile. Conservative budgeting and effective budgetary monitoring contribute to the strong financial position and healthy liquidity. On a budgetary basis, the undesignated reserves and budget stabilization reserves were 5.5% of General Purpose Revenue (GPR), at the close of FY 2018, which reflects a slight increase from the previous year. Current estimates for FYE 2019 indicate continued financial health, with unbudgeted revenue growth expected to result in a sizable \$291 million transfer to the Budget Stabilization Fund. Statutory provisions require the transfer of 50% of GPR revenues received over the original budget estimate to the State’s Budget Stabilization Fund (BSF) up to a level equal to 5% of General Fund appropriations. The BSF is currently at its highest level ever.

KBRA views Wisconsin’s level of tax-supported debt as moderately high, compared to other states, and based on measures of debt relative to population, personal income and gross state product (GSP). However, KBRA views the level of burden that debt service places on State finances to be relatively low at 4.0% of FY 2018 total governmental expenditures, which allows for budget flexibility. The State’s pension system continues to be one of the best funded public employee retirement systems in the nation. The level of the State’s long-term pension and post retiree healthcare liabilities are very low, based on the well-funded status of the pension system as well as the minimal other post-employment benefit (OPEB) liability. In June 2019, approximately \$56 million of the FY 2019 GPR surplus was utilized for a cash defeasance of additional debt.

KBRA views Wisconsin’s economy as moderately strong based on a broad, diversifying base, low unemployment rates, moderate growth in employment and GSP, and wealth levels comparable to the region and the nation. The low unemployment rate is particularly notable given the State’s high labor force participation rate. The State expects economic growth to be heavily influenced by national trends, and the state is anticipating national GDP growth of 2.7%, 2.1% and 1.8% in years 2019, 2020 and 2021, respectively.

Under the recently enacted FY 2020 – FY 2021 Biennium Budget, the GPR Balance is estimated to modestly decrease to \$792.3 million at the close of FY 2020, and

then decline to \$114.2 million by FYE 2021. The balance includes the required statutory balance (\$85 million at close of FY 2021) and excludes the BSF balance (\$691 million). KBRA notes, the State has significantly outperformed the projected ending GPR balance in several previous biennium budgets which speaks to the State’s conservative budgeting practices and strong framework for managing its financial operations, as well as the improving general national economic health and the State’s relatively stable economy even during economic downturns.

The **Positive Outlook** reflects the State’s continued fiscal discipline and their resulting improved reserve levels. KBRA expects that State management will continue to act during the fiscal year to maintain budget balance as needed. The outlook also reflects the expectation that economic growth will continue at a rate to support future budgets.

To see KBRA’s last full report on the State from September 21, 2018 click [here](#).

Key Rating Strengths

- Security strength of the State general obligation pledge.
- Trend of conservative budgets, balanced General Fund financial operations without significant use of one-time revenues, and improving reserves.
- Strong liquidity position, based on all sources of available cash for State operations.

Key Rating Concerns

- Though being reduced over time, the State continues to carry a legacy negative fund balance in its General Fund on a GAAP-basis.

Drivers for Rating Change

- Continued balanced financial operations and funding of the Budget Stabilization Fund (BSF).
- Continued growth in the economic base, resulting in further increases in state output (GSP), employment, and personal income. **+**
- Failure to take action necessary to maintain budget discipline and balanced operations. **-**

Ratings Highlights

Per Capita Personal Income as a % of U.S.	95%
Real GSP, % Change 2008 to 2018	
Wisconsin	13.3%
U.S.	19.0%
Undesignated GPR and Budget Stab. Fund Balances as a % of Exp., FY 2018	5.5%
Fixed Costs as a % of Gov't Expenditures, FY 2018	
Wisconsin	5.0%
U.S.	6.1%
Portion of Actuarially Determined Pension Contribution Funded, FY 2018	100%
Pension Funded Ratio	100%
Unemployment Rate (As of May 2019)	
Wisconsin	2.7%
U.S.	3.6%

CP, EMCP and COPs

The GO CP Notes and the GO EMCP Notes are direct general obligations of the State and are secured by its full faith, credit and taxing power. The Notes are secured equally with all other outstanding general obligations issued by the State. Wisconsin Constitution specifically requires that the Legislature appropriate funds for payment of GO debt and Wisconsin Statutes establish a first claim on all revenues of the State for debt service, with no subsequent legislative action needed to use these funds for this purpose. The short-term ratings on the State's CP and EMCP programs are derived from the State's long-term GO rating and also reflect the State's strong liquidity, history of market access, and prior authorizations to retire all CP and EMCP Notes with long-term bonds. For mapping of the long-term rating to the short-term rating, see KBRA's [Rating Scales](#).

The rating action relating to the State's Master Lease Certificates of Participation (COPs) is based on the State's long-term general obligation rating and evaluation the factors discussed in KBRA's [U.S. State Annual Appropriation Obligation Rating Methodology](#).

Rating Determinants (RD)

1. Management Structure, Budgeting Practices and Policies	AA+
2. Debt and Additional Continuing Obligations	AAA
3. Financial Performance and Liquidity Position	AA+
4. State Resource Base	AA

Recent Credit Updates

Financial Performance Update

In the following analysis, KBRA notes that the General Fund (GF) is the major operating fund of the State. In the statutory or budgetary basis financial statements, the GF has two components: General Purposes Revenues (GPR) and Program Revenues. GPR includes tax revenues and departmental revenues and is the primary focus of our analysis. Program Revenues include federal funds received for specific programs and other monies credited by law to a specific appropriation.

KBRA has reviewed the LFB’s May 2019 estimates updating the projections for FY 2019 tax collections which are the basis for the 2019-21 Biennium Budget. The revision indicates favorable improvement in FY 2019 collections, and additional growth through FY 2020. Final FY 2019 revenue and expenditure figures will be available in mid-October when the State’s annual fiscal report is released. In addition, KBRA reviewed the DOA’s monthly General Fund Report through April 30, 2019, which indicates further strengthening in the State’s cash position. KBRA has also reviewed the State’s recently enacted FY 2020-21 Biennium Budget

Enacted 2020-21 Biennium Budget

On July 3, 2019 the Governor enacted the biennium budget, 2019 Wisconsin Act 9. The Governor exercised his authority to make partial vetoes of the Legislature’s budget bill. The enacted biennium budget includes an all-funds budget of approximately \$40.1 billion in FY 2020 (4.3% increase over FY 2019 enacted budget from 2017 Wisconsin Act 59) and \$41.3 billion in FY 2021 (3.0% over FY 2020). The General Fund GPR spending is approximately \$18.4 billion in FY 2020 (3.1% increase over 2019 LFB May estimates) and approximately \$19.2 billion in FY 2021 (4.4% increase).

School aid is the largest spending category in the General Fund GPR, accounting for 34.9% of the FY 2018 GPR expenditures. Education was a core platform for the Governor in his election campaign. The enacted budget’s spending for education falls short of the Governor’s original proposal, although the budget adds \$330 million for State general education aid, the largest increase in over ten years. The budget also increases per pupil state aid by over \$100 million and increases State special education funding by \$95 million. The budget maintains a freeze in higher education instate tuition. Governor Evers also sought to expand Medicaid and while the legislature eliminated this proposal some health care initiatives were maintained. The enacted budget includes \$230 million for State healthcare worker support and \$200 million for a reinsurance program to help stabilize the individual healthcare market.

Figure 1

General Purpose Revenues			
Key Baseline Growth Rate Assumptions			
	2019	2020	2021
Individual Income Taxes	5.6%	1.6%	3.5%
Sales Tax	3.7%	3.5%	0.9%
Corporate Income Tax	51.6%	-14.0%	3.4%

Source: Legislative Fiscal Bureau May 15, 2019 Report

Budget assumptions for primary tax revenues were informed by IHS Markit’s national growth predictions. The IHS national forecasts include estimated real GDP growth rates of 2.1% and 1.8% in 2020 and 2021, respectively. Baseline assumptions reasonable for the State’s primary taxes are shown in Figure 1. KBRA views the assumptions as reasonable. Along with AB 251 (2019 Wisconsin Act 10), GPR revenues under the Biennium Budget are projected to increase 0.3% in FY 2020 and 1.7% in FY 2021. Additional sales taxes related to the Wayfair decision (which broadened states’ ability to tax ecommerce) will be used to lower the two lowest income tax rates, only for tax year 2019. An additional income tax cut will begin in tax year 2020 to offset new revenue growth from marketplace providers. Currently the lowest income tax bracket is 4%, in tax year 2020 the bottom rate will be 3.76%. Other revenue changes include an increase in vehicle registration fees and an increase in title fees when buying a vehicle.

As shown in Figure 2, the undesignated GPR Balance is estimated to decrease to \$792.3 million at the close of FY 2020, and then decline to \$114.2 million by FYE 2021. The undesignated balance is net of the required statutory balance, which at the close of FY 2021 is \$85 million. KBRA notes, the State has significantly outperformed the projected ending general fund balance in several previous biennium budgets which speaks to the State's conservative budgeting practices and fiscal controls as well as general national economic health and the State's relatively stable economy even during economic downturns.

Fiscal 2019 Estimates Project an Operating Surplus

The January 2019 Legislative Fiscal Bureau (LFB) report includes estimated GPR revenues and expenditures for the current fiscal year and tax collection projections for each year of the next biennium. The May 2019 LFB report updates the January estimates, and reports strong improvement in overall estimated collections. FY 2019 opened with a \$588.5 million GPR budgetary balance and is projected to close with a \$415 million operating surplus, bringing the estimated undesignated balance to a strong \$1.0 billion. The \$1.0 billion balance is net of an estimated \$291.1 million transfer to the Budget Stabilization Fund. After the transfer, the BSF would increase to a record balance of \$617 million. In June 2019, the Governor utilized approximately \$56 million of the FY 2019 General Fund surplus to pay off additional debt through a cash defeasance.

The May 2019 tax collection estimate for FY 2019 is \$16.67 billion, which is nearly \$1.1 billion (6.9%) greater than actual FY 2018 results. The estimates reflect robust gains in PIT taxes and corporate income/franchise taxes. PIT taxes (5.6% growth) benefit from one-time effects in additional estimated taxes and pass through withholding payments. Corporate income taxes include the State's recently enacted pass-through entity tax for S corporations and partnerships. FY 2019 collections of the pass-through entity tax reflect a one-time fiscal effect (18 months of payments), contributing to total estimated corporate income tax collection growth of 51.5%.

FY 2019 sales and use tax growth is estimated at 3.7%, which comfortably outpaces inflation. Under 2017 Wisconsin Act 368, passed in late 2018, increased sales tax collections from e-commerce (the Wayfair decision) are to be excluded from the formulaic determination of transfer to the BSF. Additionally, under the legislation, beginning in tax year 2019, personal income taxes are to be reduced by the amount of the increase expected from the Wayfair decision.

Figure 2
General Fund
General Purpose Revenues (GPR), Budgetary Basis
\$ in millions

<i>in millions</i>	FY 17 Actual	FY18 Actual	FY19 Enacted	FY19 LFB 1/19	FY19 LFB 5/19	FY20 Enacted	FY21 Enacted
Opening Balance	\$ 463.0	\$ 579.0	\$ 554.7	\$ 588.5	\$ 588.5	\$ 947.7	\$ 792.3
Total Revenues	\$ 16,065.1	\$ 16,752.6	\$ 17,120.1	\$ 17,173.7	\$ 17,775.9	\$ 17,867.9	\$ 18,210.5
Gross Appropriations	\$ 17,099.1	\$ 17,138.8	\$ 17,025.2	\$ 17,829.8	\$ 17,829.8	\$ 18,387.0	\$ 19,201.8
Net Appropriations	\$ 15,949.1	\$ 16,743.1	\$ 17,352.1	\$ 17,070.7	\$ 17,360.6	\$ 18,023.4	\$ 18,888.6
Gross Balance¹	\$ 579.0	\$ 588.5	\$ 322.7	\$ 691.5	\$ 1,003.7	\$ 792.3	\$ 114.2

¹Net of Budget Stabilization Fund

Source: Wisconsin Official Statements | Wisconsin Annual Financial Reports | LFB Summary of Partial Vetoes of 2019 Wisconsin Act 9

Figure 3

General Purpose (GPR) Revenues (budgetary basis)										
(\$ in millions)	2014	% Chg	2015	% Chg	2016	% Chg	2017	% Chg	2018	% Chg
Taxes	13,948	-1.0%	14,541	4.3%	15,097	3.8%	15,518	2.8%	16,144	4.0%
Individual Income	7,061	-5.8%	7,326	3.7%	7,741	5.7%	8,040	3.9%	8,479	5.5%
Corporate Income	967	4.5%	1,005	3.9%	963	-4.2%	921	-4.4%	894	-2.9%
Sales & Use	4,628	4.9%	4,892	5.7%	5,066	3.5%	5,224	3.1%	5,448	4.3%
Excise	699	1.3%	699	0.1%	709	1.4%	706	-0.4%	680	-3.7%
Public Utility	361	5.8%	382	5.8%	361	-5.6%	360	-0.2%	365	1.4%
Insurance	166	4.1%	165	-0.2%	177	7.2%	182	2.6%	186	2.2%
Miscellaneous/Other	66	4.0%	72	9.5%	81	13.1%	85	4.4%	245	188.2%
Departmental Revenues	359	-8.6%	347	-3.3%	301	-13.2%	337	12.0%	345	2.4%
Total GPR Revenue	14,307	-1.2%	14,888	4.1%	15,399	3.4%	15,855	3.0%	16,489	4.0%

General Purpose (GPR) Expenditures (budgetary basis)										
	2014	% Chg	2015	% Chg	2016	% Chg	2017	% Chg	2018	% Chg
Commerce	39	-40.7%	68	76.1%	37	-45.8%	42	13.5%	36	-14.3%
Education	6,558	2.4%	7,156	9.1%	6,955	-2.8%	7,465	7.3%	7,539	1.0%
Environmental Resources	348	15.1%	247	-29.0%	224	-9.3%	238	6.1%	237	-0.4%
Human Relations & Resources	4,794	7.1%	5,040	5.1%	5,242	4.0%	5,181	-1.2%	5,511	6.4%
General Executive	484	16.2%	437	-9.7%	469	7.2%	443	-5.5%	425	-4.1%
Judicial	113	-0.2%	117	3.0%	118	1.0%	124	5.2%	122	-1.6%
Legislative	64	1.4%	64	0.0%	65	2.2%	67	3.1%	67	0.0%
General	2,234	1.6%	2,205	-1.3%	2,231	1.2%	2,297	2.9%	2,526	10.0%
Transfer	40	-86.1%	170	319.5%	38	-77.6%	39	2.6%		
Total GPR Expenditures	14,674	2.4%	15,504	5.7%	15,379	-0.8%	15,897	3.4%	16,463	3.6%

Source: Wisconsin Annual Fiscal Reports

Positive Fiscal 2018 Results

FY 2018 financial reports show positive financial performance. The budgetary basis annual financial report reflects a modest (\$9.5 million) increase in the undesignated fund balance, after a \$33.1 million transfer to the Budget Stabilization Fund (BSF). The ending BSF balance of \$320.1 million was then its highest balance ever.

Figure 4

**General-Purpose Revenues (GPR)
Revenues, Expenditures and Changes in Fund Balance
Budgetary Basis (FYE June 30) (\$ in thousands)**

(In thousands)	2014	2015	2016	2017	2018
GPR Revenues	\$ 14,306,820	\$ 14,887,991	\$15,398,511	\$ 15,854,891	\$ 16,489,270
GPR Expenditures	14,673,950	15,503,526	15,378,995	15,857,532	16,464,393
Net Operating Surplus (Deficit)	(367,130)	(615,535)	19,516	(2,641)	24,877
Transfers	228,456	203,064	216,654	170,744	171,040
Net Change in Budgetary Balance	(138,674)	(412,471)	236,170	168,103	195,917
Total Budgetary Balance	639,302	226,831	463,001	631,104	827,021
Designated Balance	(122,411)	(91,276)	(131,963)	(52,089)	(238,549)
Undesignated Balance (net designated)	\$516,891	\$135,555	\$331,038	\$579,015	\$588,472
<i>Undesignated Balance as a % of Expenditures</i>	3.5%	0.9%	2.2%	3.7%	3.6%

Budget Stabilization Fund¹

Budget Stabilization Fund Balance	\$279,693	\$280,280	\$281,347	\$282,850	\$320,054
<i>BSF Balance as % of GPR Expenditures</i>	1.9%	1.8%	1.8%	1.8%	1.9%

¹Held in Special Revenue Funds

Source: Wisconsin Annual Fiscal Reports

The State's FY 2018 comprehensive annual financial report indicates a GAAP basis General Fund operating surplus of \$372 million which enabled the State to continue its favorable trend of reducing its legacy undesignated general fund deficit. The closing undesignated fund deficit reflects -7.6% of expenditures. GAAP basis GF revenues were up 3.8% with both individual income taxes and sales taxes depicting favorable performance. Increases in consumer expenditures and personal income growth, together with changes in taxpayer behavior as a result of federal tax revision, supported the revenue expansion. Expenditures increased by a more moderate 2.5%, with increased medical assistance costs and education expenses the primary growth drivers.

Figure 5

General Fund Summary Statement of Income and Balance Sheet					
FYE June 30 (Audited, GAAP Basis) (dollars in thousands)					
	2014	2015	2016	2017	2018
Statement of Income					
Revenues	24,258,902	24,584,538	24,936,912	25,450,035	26,410,721
Expenditures	22,070,080	23,227,634	23,319,239	23,703,230	24,305,946
Excess (Deficiency) of Rev. Over Exp.	2,188,822	1,356,904	1,617,673	1,746,805	2,104,775
Other Financing Sources (Uses)	(1,833,527)	(1,770,964)	(1,596,699)	(1,648,435)	(1,732,461)
Net Change in Fund Balance	355,295	(414,060)	20,974	98,370	372,314
Fund Balance (Deficit) - Beginning	(1,737,137)	(1,381,842)	(1,779,409)	(1,722,629)	(1,625,920)
Change in Inventories	(590)	376	(2,440)	(1,661)	79
Fund Balance (Deficit) - Ending	(1,381,842)	(1,779,409)	(1,722,629)	(1,625,920)	(1,253,527)
Balance Sheet					
Assets					
Cash and Cash Equivalents	586,215	338,197	150,817	551,230	593,619
Tax Receivable, Net	1,103,285	1,166,819	1,222,427	1,328,233	1,551,220
Other Receivables and Dues	1,743,909	1,752,546	2,246,777	1,851,095	2,088,406
All Other	119,178	112,687	64,664	45,755	33,247
Total Assets	3,552,587	3,370,249	3,684,685	3,776,313	4,266,492
Liabilities					
Accounts Payable and Deferred Revenues	1,245,290	1,299,198	1,341,274	1,318,236	1,362,299
Dues to Other Funds/Component Units/ Gov't	2,280,974	2,451,688	2,522,474	2,383,672	2,457,576
All Other	1,186,143	1,173,107	1,310,016	1,446,174	1,430,309
Total Liabilities	4,712,407	4,923,993	5,173,764	5,148,082	5,250,184
Deferred Inflows of Resources	222,022	225,665	233,549	254,151	269,834
Fund Balances					
Nonspendable	92,257	92,916	49,858	21,712	18,576
Restricted	264,057	284,480	339,107	230,152	257,577
Committed ¹	279,693	280,280	281,347	282,850	320,054
Assigned					
Unassigned	(2,017,849)	(2,437,085)	(2,392,940)	(2,160,634)	(1,849,733)
Fund Balances	(1,381,842)	(1,779,409)	(1,722,629)	(1,625,920)	(1,253,527)
<i>Unassigned Fund Balance as a % of Expenditures</i>	-9.1%	-10.5%	-10.3%	-9.1%	-7.6%
<i>Total Fund Balance as a % of Expenditures</i>	-6.3%	-7.7%	-7.4%	-6.9%	-5.2%

Source: State of Wisconsin CAFRs FY 2014 to FY 2018

¹ Includes the Budget Stabilization Fund

Reserves and Liquidity

General Fund liquidity improved during FY 2017 and FY 2018, and estimates for 2019 indicate continued strengthening. The FY 2018 year-end balance is estimated at \$2.58 billion. Per the Department of Administration's (DOA) cash flow statements, the General Fund opened FY 2018 with a \$1.37 billion balance and closed with \$1.53 billion. The FY 2018 lowest daily balance occurred in August 2017 with a negative \$46.3 million balance, before temporary reallocations but including certain funds designated for programs of the State's universities. The August 2018 low in the current fiscal year was more favorable at positive \$291.9 million.

The General Fund experiences lower cash balances in the first half of the year due to the distribution of local aid payments but improves in the second half of the year as individual income taxes are received. In FY 2012, the last time the State issued cash flow notes, the General Fund opened the year with a \$304 million cash balance.

Statutory provisions allow for temporary reallocation of the State's exceptionally strong cash reserves. At FYE 2018 the total GAAP based governmental funds cash and investments balance was \$2.28 billion, up 2.0% from the prior year.

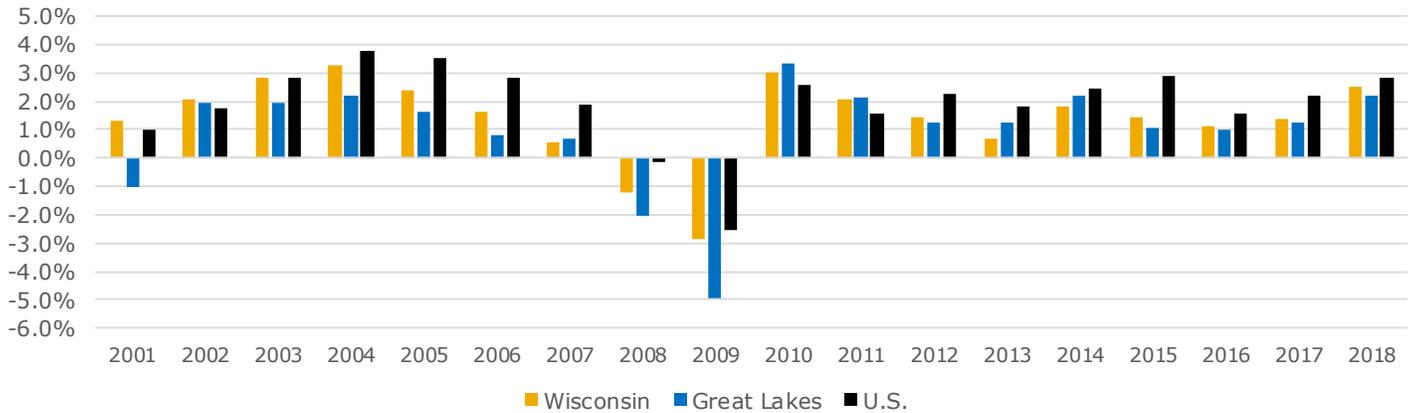
Recent Economic Trends

KBRA views Wisconsin's economic base as moderately strong and notes that the State generally did not experience as much volatility as the Great Lakes region¹ (the "region") or the nation during recent economic cycles. KBRA views the lower volatility as a significant source of strength in the State's resource base.

¹ The Great Lakes Region consists of IL, IN, MI, OH, and WI.

Figure 6

**Real GSP Annual Change
(chained 2012 dollars)**



(\$ in Millions)	2000	2010	Current - 2018	% Δ Since 2010	% Δ 10 Years
Wisconsin	233,085	264,841	299,835	13.2%	13.3%
Great Lakes	2,086,694	2,176,944	2,460,125	13.0%	11.0%
U.S.	13,130,987	15,598,753	18,566,442	19.0%	19.0%

Source: Bureau of Economic Analysis

Wisconsin’s productivity, as measured by real GSP, increased by 2.5% in 2018 and about 13.3% over the last decade compared to U.S. growth of 2.9% and 19%, respectively. The trend of slower growth reflects the State’s comparatively mature demographic characteristics, but the State’s performance over this period was notably stronger than that of the region, which experienced real GSP growth of just 11% since 2008.

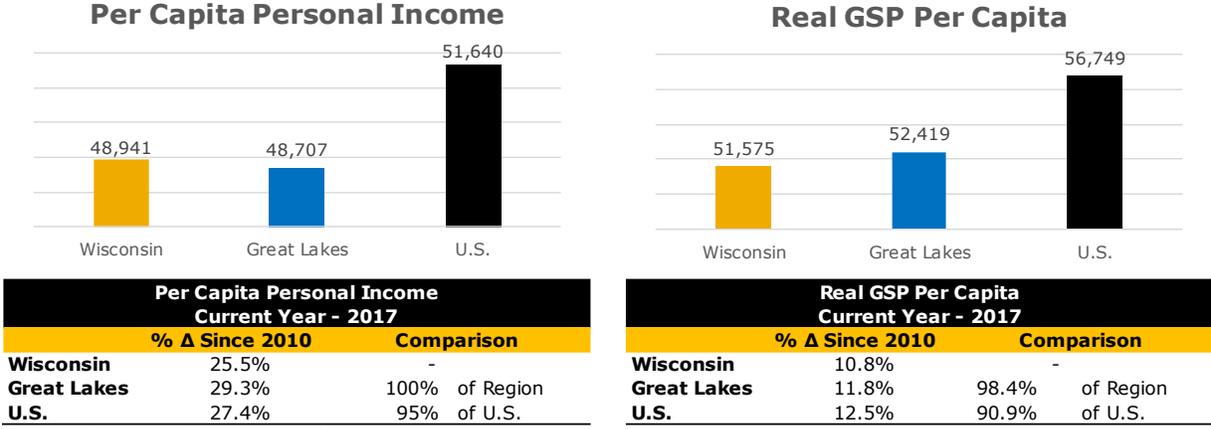
Figure 7

State Income Current Year - 2017		
	Personal Income (\$ in billions)	% Δ Since 2010
Wisconsin	283,636	27.8%
Great Lakes	2,283,656	29.5%
U.S.	16,820,250	34.1%

Source: Bureau of Economic Analysis

Per capita personal income is on par with the region but about 5% lower than the U.S. average, reflecting both the State’s moderate cost of living and its historic concentration in manufacturing and agriculture. While the State’s economy has diversified significantly in recent decades, Wisconsin’s 16% employment concentration in manufacturing remains nearly twice the national average.

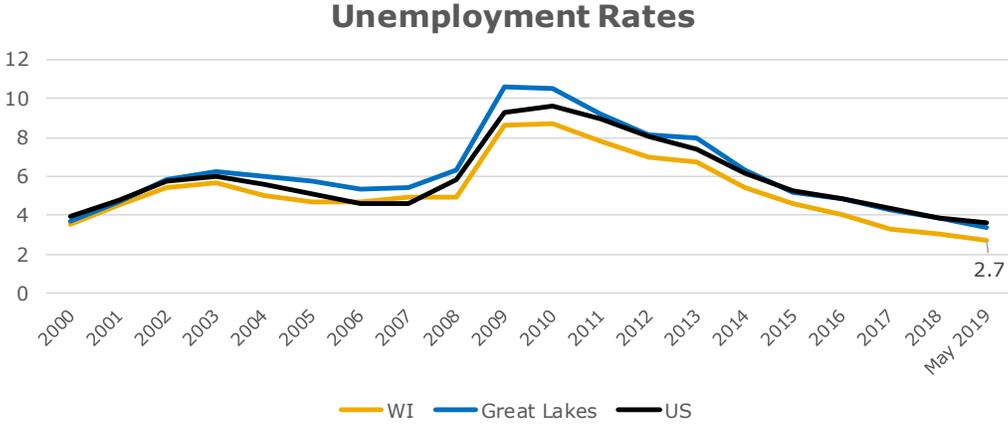
Figure 8



Source: Bureau of Economic Analysis

The State’s employment market continues to exhibit notable strength. The unemployment rate has averaged nearly a full percentage point lower than the U.S. average over the last decade and declined to 2.7% in May 2019 versus the region at 3.4% and U.S. average at 3.6%. Overall employment increased by 6.7% over the last decade compared regional and U.S. growth at 8.5% and 12.7%, respectively.

Figure 9



Source: U.S Bureau of Labor Statistics

Figure 10

Total Employment						
	Wisconsin	% Chg.	Great Lakes	% Chg.	United States	% Chg.
2009	2,834,335		21,173,450		139,893,917	
2010	2,814,393	-0.7%	21,038,139	-0.6%	139,077,167	-0.6%
2011	2,840,996	0.9%	21,140,894	0.5%	139,885,167	0.6%
2012	2,857,418	0.6%	21,284,270	0.7%	142,474,583	1.9%
2013	2,871,997	0.5%	21,371,660	0.4%	143,940,667	1.0%
2014	2,914,992	1.5%	21,789,717	2.0%	146,318,667	1.7%
2015	2,951,483	1.3%	22,100,742	1.4%	148,847,167	1.7%
2016	3,000,231	1.7%	22,408,967	1.4%	151,442,583	1.7%
2017	3,037,453	1.2%	22,569,963	0.7%	153,337,667	1.3%
2018	3,039,295	0.1%	22,686,624	0.5%	155,764,083	1.6%
May 2019	3,002,659	-1.2%	22,830,355	0.6%	156,758,000	0.6%
Δ Since 2010	6.7%		8.5%		12.7%	

Source: U.S. Bureau of Labor Statistics

The multinational electronics manufacturer Foxconn had planned to invest \$10 billion to construct a state-of-the-art LCD panel factory employing 13,000 people south of Milwaukee in exchange for \$4.5 billion in tax breaks and other government incentives. News reports indicate that the project's plans have changed several times, and a much smaller factory or research and development center is possible. KBRA does not view these developments as material to the State's overall economic health. While a gradual reduction in manufacturing employment in recent decades has placed some drag on the State's productivity growth, consistent growth in financial activities, professional/business services, and education/healthcare has supported strong overall employment growth and deepening economic diversity, which KBRA views as supportive of the State's long-term economic competitiveness.

Conclusion

Based on the foregoing KBRA has assigned a long-term rating of AA+ with a Positive Outlook to the State of Wisconsin General Obligation Bonds of 2019, Series A.

Concurrently, KBRA has affirmed the long-term rating of AA+ and revised the Outlook to Positive on the State's outstanding general obligation bonds.

KBRA has also affirmed the long-term rating of AA and revised the Outlook to Positive on the State's master lease certificates of participation.

KBRA has additionally affirmed the short-term ratings of K1+ on both the State's GO commercial paper program and GO extendible municipal commercial paper program notes.

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